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January 22, 2001

BY FAX AND OVERNIGHT MAIL

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd floor
Boston, MA 02110

Re: Cape Light Compact, D.T.E. 00-47-C

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Dear Secretary Cottrell:

This letter represents the comments of Massachusetts Electric Company and Nantucket Electric Company (together "Mass. Electric" or "Company") in the above referenced docket.

While Mass. Electric is very supportive of municipal aggregation established pursuant to the Restructuring Act, Mass. Electric opposes some of the policy statements raised by the Cape Light Compact ("Compact") in its filing. Throughout its filing, the Compact asserts that utilities have an inherent bias against energy efficiency programs based on the premise that the programs reduce sales volumes and impact profits. (See Compact Memorandum of Law at 5; Compact Memorandum on Procedures at 3; Report of the Compact on its Plan at 12; Statement of Tim Woolf at 5-7.) Mass. Electric strongly disagrees with such statements. On the contrary, energy efficiency is central to the business objectives of a utility - by law, regulation, and business

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mission. Customers, both residential and commercial/industrial, large and small, have greatly benefited from the wide variety of demand side management ("DSM") products and energy efficiency programs offered by the utilities. In fact, as Tim Woolf acknowledges, in some cases "the Compact intends to run programs that are essentially identical to those of electric companies, including the low-income programs, the Northeast Energy Efficiency Partnership (NEEP) programs, the Residential New Construction Program, and the C/I New Construction program." (Statement of Tim Woolf at 1.)

G.L. c. 164, §134(b) allows a municipality or group of municipalities establishing a load aggregation program to adopt an energy plan which shall define the manner in which the municipal aggregator may implement DSM programs and renewable energy programs that are consistent with any state energy conservation goals developed pursuant to chapter 25A or chapter 164. Mass. Electric acknowledges that municipalities can and may establish such programs; nevertheless, the Company does not agree with the Compact's assertions that "[b]y adopting Section 134(b), the legislature intended that municipalities should also be allowed to administer these funds so that ratepayers could possibly receive more benefit for their money." (Compact

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Memorandum of Law at 5.) Such legislative intent simply does not exist. And as the Department has seen over the last several years, the utilities have offered very cost-effective and successful energy efficiency programs.

Mr. Woolf makes a number of additional statements indicating why he believes the Compact Plan is better than utility-run energy efficiency programs. He states, "the Compact has greater marketing and education opportunities than distribution companies." (Statement of Tim Woolf at 6.) He further states that "the Compact is more accountable than a distribution company to electricity customers." He even declares that "the Compact is more interested than electric utilities in achieving the economic and environmental benefits of energy efficiency." (Id. at 7.) Again, Mass. Electric takes issue with these principles.

The utilities are in a position to and have provided comprehensive and cost-effective energy efficiency programs to all customer classes. As stated above, Mass. Electric and other distribution companies are quite interested in the economic and environmental benefits of energy efficiency. Utilities also have the ability to fully market energy efficiency because they have the ability to reach all of their customers. Joint utility programs have provided even greater economies of scale. Additionally, utilities typically provide a forum for public

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input into their efficiency program plans. The utilities develop their plans through a collaborative process in which a wide range of interested constituents are represented. The DOER reviews the substance of the programs and the Department studies the cost-effectiveness. Moreover, customers perceive their utility as credible when considering investments in energy efficiency.

Administratively, Mass. Electric strongly recommends that the Department review the Compact's plan and transition issues related to implementing the plan. As a preliminary matter, Mass. Electric questions whether the Compact may, by law, implement its energy efficiency plan before it is supplying power under its aggregation plan. In addition, a number of outstanding issues exist between the Compact and Commonwealth Electric Company ("ComElec") such as timing of implementation, the process by which the funds will be committed with customers, and how the Compact and ComElec will deal with customers who opt out. Mass. Electric recommends that the Department remain involved in working with the parties to help resolve these important issues. The Department must make sure that the process by which funds are transferred to customers will not impact ComElec's ability to administer its programs or meet its commitments to pay rebates to customers upon the completion of their energy-efficient installations. The Department must also

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make sure that the transition occurs in a way that does not require cross-subsidies from other ComElec customers. Mass. Electric also points out that customers who opt out of the aggregation may prefer to participate in the utility's energy efficiency programs over the Compact's program. As the Compact notes on page 11 of the Report of the Compact on its Plan, the wishes of the citizens should be respected.

Mass. Electric appreciates the opportunity to file these comments.

Very truly yours,

Laura S. Olton

Amy G. Rabinowitz

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